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FOR WHA/BSC AND EB/IFD/OIA
NAIROBI FOR MICHAEL FITZPATRICK
SOUTHCOM FOR POLAD BARBARA MOORE
NSC FOR SUE CRONIN
TREASURY FOR OTA, TFI
TREASURY FOR A/S O'BRIEN
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
STATE PASS TO USAID FOR LAC/AA AND LUIS CORONADO PCC/AA

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TAGS: [PGOV](#) [KCRM](#) [KMCA](#) [PA](#)

SUBJECT: PARAGUAY: TREASURY A/S O'BRIEN'S VISIT CREATES NEW
MOMENTUM ON AML LAW

REF: ASUNCION 231

11. Summary. Treasury A/S Patrick O'Brien's visit to Paraguay on 3/8 offered an excellent opportunity to reinforce with key GOP officials, legislators, and business community leaders the importance the U.S. attaches to rapid adoption of a strong anti-money laundering law. All interlocutors stressed their commitment to moving ahead on this bill, noting modifications were likely. Already, two of three initiatives discussed to push for more progress are moving ahead. The key remains President Duarte's pressing his Colorado Senators to support the bill; he has committed himself to doing this, making prospects for adoption in the coming months stronger than ever. Post supports OTA's participation in the MCA Threshold Program as the best way to strengthen the GOP efforts to combat corruption and impunity and strengthen formality. End Summary.

VP and Walde Convey GOP Commitment on Law

12. Vice President Castiglioni and Presidential Economic Advisor Carlos Walde assured O'Brien of the GOP's commitment to adopt a strong AML law to meet its international commitments and strengthen conditions for greater investment in Paraguay. Both described the law as emblematic of the GOP's determination to combat corruption and transnational crime. Castiglioni assured us that both he and President Duarte were working with legislators, pressing them to move ahead on the law and that he was confident of success. He urged prudence on our part, concerned that if the U.S. were too far out in front, opponents of the law could play the nationalist card. While he recognized Paraguayan efforts were primary in turning the page on corruption, he considered U.S. support in the form of the MCA TP and ultimately an MCA Compact as critical.

Senators Signal Support for Law with Modifications

13. O'Brien's visit with ANR Senators Pedrozo and Rachid, respectively the Presidents of the Finance and Legislation Commissions charged with reviewing the bill, prompted a frank

exchange. Pedrozo recounted that he had meet recently with U.S. Senator Coleman and State Department officials who stressed the need for movement on the law. A businessman himself, Pedrozo assured O'Brien he appreciated the need for Paraguay to "formalize" its economy. The law would necessarily undergo modifications but he was convinced it would be adopted. Rachid remarked that he desired closure first on penal and procedural code reform before moving to adopt the money laundering law but that he too recognized the need to move on the latter. Rachid maintained that concerns about funds flowing from the Arab community to terrorist groups were overplayed; he recommended greater focus on individual families, something Post already does.

Bankers Want to be Allies

¶4. O'Brien meet with Roberto Hattier, Executive Director of the Bankers Association, calling on the group to take a public stand in support of the law. Hattier noted that the BA had narrowed its list of objections to the law to a mere handful that they were committed to resolving. He maintained that the group recognized the need for the law and planned to join others from the business community in communicating this message publicly.

Movement on Next Steps

¶5. Coming out of the O'Brien visit, post identified three bars for progress in the coming weeks:

- Negotiation of an agreed text of the law with the Bankers' Association;
- Wider publicity on the law, including educating the public on common perceptions and the most important benefits of the law;
- Negotiation of the AML law with key Senators.

Post notes progress on the first two and is exploring options for the third.

-- In the wake of O'Brien's visit, Banking Association leaders stressed to Minister of Industry and Commerce, Raul Vera, their commitment to coming to agreement on text. AML law experts plan to meet with the lawyers from the BA on 3/16 and are optimistic about prospects for closing on an agreed text. BA leaders have signaled readiness to join a host of other business organizations in announcing publicly its support for the law.

-- Post's Resident Legal Advisor (RLA) and Carlos Yegros, the Director of SEPRELAD, are working together to develop a list of the key misperceptions and benefits of the law. We plan to work with Carlos Jorge Biedermann, President of the Paraguayan Chamber of Advertisers to ensure it gets appropriate public circulation. Separately, post's Military Information Support Team (MIST) plans to release in coming weeks a series of radio and television spots on money laundering that will keep the issue in the public. We have seen more positive press on an AML law in the last month than we have in the prior two years.

-- Upon forging closure with the Banking Association, GOP allies are looking at scheduling a series of meetings with key Senators to pursue agreement on articles about which they have registered concerns. An agreement with the Banking Association on a draft text will resound significantly in the Senate, as many Senators key off the position of the banks.

-- March 7 VP Castiglioni told DCM that President Duarte will privately convoke ANR Senators within 2 weeks telling them to pass the law.

OTA Participation in MCA Threshold Program Key

¶16. Post appreciates and shares Treasury's concern about delays in the adoption of an AML law. U.S. pressure brought to bear, including the visit of A/S O'Brien, has reinforced for the GOP the importance we place on adoption of this law, and has created momentum towards its adoption. President Duarte and VP Castiglioni have conveyed their commitment to adoption of this law and we intend to hold them to this commitment.

¶17. The MCA Threshold Program is centered around addressing GOP shortcomings in the areas of impunity and formality. Strengthening investigation units as reflected in component 8 of this program is a key initiative. Under President Duarte, Paraguay has taken some important steps to create a legal and institutional framework to combat corruption, gaining adoption of key legislation, including an unprecedented personal income tax law and a new customs code, and creating three investigative units in 2005 that will focus on the predicate offenses of money laundering and terrorist financing. These units operate in the Ministry of Finance investigating criminal tax violations, the Customs Directorate investigating criminal customs violations, and the Finance Ministry itself conducting internal investigations of corruption and waste, fraud and abuse. These three units together with investigative units in the Anti-drug secretariat (SENAD) assigned to investigate financial crimes

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related to drug trafficking and the Ministry of Industry and Commerce assigned to investigate violations of intellectual property rights, received basic criminal investigator training provided by post in September and October 2005. The GOP's FIU is already assisting investigators and prosecutors in the analysis of financial intelligence relating to undercover major criminal organizations, and plans to implement a pilot project that would allow it to gather

financial information electronically from banks and other obligated entities.

¶18. Post recognizes that these units could better execute their mission with a new AML law. However, we also believe much can be done now, on the basis of the units created to date and the laws already adopted, to tackle corruption and counter the flow of illicit funds to criminal and terrorist organizations. Through Treasury's OTA program, post has made an important contribution to standing up and training Paraguay's new investigation units. Now that the units are up and running, continued OTA assistance, including through the MCA TP, is critical as the units begin to focus on specific cases and the myriad of complications that enter into play. Post strongly supports OTA's continued leadership of USG efforts to engage, train, mentor, and guide Paraguay's investigation units to ensure they enjoy the full benefit of OTA's institutional knowledge and expertise in this area. (Note: This cable reflects the views and input of post's TDY OTA Legal Enforcement Advisor. End Note.)

¶19. A/S O'Brien did not have a chance to clear on this cable before departing post.
CASON